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*This prospectus is not, and under no circumstances is to be construed as, a public offering of these Debentures for sale in, or to any person resident in, the United States of America or the territories or possessions thereof.*

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

**New Issue**

**Circular 552A  
April 25, 1967**



**\$3,500,000**

## **Canadian Marconi Company**

(Incorporated by Special Act of the Parliament of Canada)

### **7% Sinking Fund Debentures, Series B, (Unsecured)**

To be dated June 1, 1967

To mature June 1, 1989

Principal, premium and semi-annual interest (June 1 and December 1) payable in lawful money of Canada at any branch of the Company's bankers in Canada. Coupon Debentures in the denomination of \$1,000, registrable as to principal only, and fully registered Debentures in denominations of \$1,000 and authorized multiples thereof. Redeemable (for other than sinking fund purposes) at the option of the Company as a whole at any time, or in part from time to time, on 30 days' notice at a premium of 7% up to and including May 31, 1968, the premium thereafter decreasing .35 of 1% of the principal amount for each year commenced or elapsed to and including May 31, 1989, in each case with accrued interest to the date fixed for redemption; provided that no such redemption may be effected on or before May 31, 1982, directly or indirectly from or in anticipation of moneys borrowed by or on account of the Company or any affiliated company at an interest rate or an effective interest cost to the Company of less than 7% per annum. Redeemable for sinking fund purposes, on 30 days' notice, at the principal amount thereof with accrued interest to the date fixed for redemption.

The Company will covenant in the Trust Agreement to pay to the Trustee, as a sinking fund for the 7% Sinking Fund Debentures, Series B, sums sufficient to retire on June 1 in each of the years 1969 to 1971, inclusive, \$58,000 principal amount thereof; in each of the years 1972 to 1974, inclusive, \$87,000 thereof; in each of the years 1975 to 1979, inclusive, \$116,000 thereof; in each of the years 1980 to 1983, inclusive, \$140,000 thereof and in each of the years 1984 to 1988, inclusive, \$175,000 thereof. The Company will have the right to tender 7% Sinking Fund Debentures, Series B, to the Trustee and receive credit at the principal amount thereof in satisfaction in whole or in part of sinking fund obligations. Such sinking fund payments will provide for the retirement of more than 70% of the 7% Sinking Fund Debentures, Series B, prior to maturity.

Trustee: The Royal Trust Company

In the opinion of counsel these 7% Sinking Fund Debentures, Series B, will be investments in which the Canadian and British Insurance Companies Act, R.S.C. 1952, c.31, states that companies registered under Part III thereof may, without availing themselves for that purpose of the provisions of subsection (4) of Section 63 of said Act, invest their funds.

We, as principals, offer these 7% Sinking Fund Debentures, Series B, for delivery if, as and when issued and accepted by us and subject to prior sale and the approval of counsel of all proceedings.

**Price: 100 and accrued interest**

It is expected that Debentures in definitive form will be available for delivery on or about June 1, 1967.

All legal matters in connection with the issue of these Debentures are subject to the approval, on our behalf, of Messrs. Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, of Montreal, P.Q., who are also Counsel for the Company.

## **ROYAL SECURITIES CORPORATION LIMITED**

MONTREAL TORONTO HALIFAX SAINT JOHN QUEBEC OTTAWA HAMILTON WINNIPEG CALGARY  
EDMONTON VANCOUVER VICTORIA CHARLOTTETOWN MONCTON ST. JOHN'S NEW YORK LONDON



The following information under the headings "The Company" to "Outlook" inclusive has been supplied by the Chairman and Chief Executive Officer of Canadian Marconi Company:

## THE COMPANY

Canadian Marconi Company (hereinafter sometimes referred to as the "Company") was incorporated under the name of "Marconi Wireless Telegraph Company of Canada, Limited," on November 1, 1902, under the Ontario Companies Act. Subsequently the shareholders of that company were incorporated as a new company under the name of "The Marconi Wireless Telegraph Company of Canada, Limited," by Special Act of the Parliament of Canada, 3 Edward VII, Chapter 49, which was assented to and came into effect on August 13, 1903, and the new company was vested with all the properties and rights of the Ontario company. The Special Act was subsequently amended from time to time and one of such amendments changed the name to "Canadian Marconi Company".

Canmar Investment Company Limited, a wholly-owned subsidiary of The English Electric Company, Limited, of London, England, owns a controlling interest in the Company.

### Properties

The Company's head office and plant are located in Company-owned premises comprising some 420,000 square feet of building on 8 acres of land on the border of the City of Montreal and the Town of Mount Royal, in the Province of Quebec. The Company also owns a building in Vancouver and rents properties in Montreal, Vancouver, Edmonton, Calgary, Winnipeg, Toronto and Halifax, where technical services, storage, sales and administrative activities for the respective areas are consolidated.

The broadcasting division of the Company is located in a company-owned building in Montreal and contains some 120,500 square feet of space.

### Operations

The Company is engaged in the research, development, design, manufacture, sale and leasing of electronic equipment, the sale of equipment manufactured by others and the operation of radio and television broadcasting stations. The Company employs approximately 4,000 people and its operations are divided into four divisions. A description of these divisions and their products follows.

**Commercial Products Division**—designs and manufactures highly specialized equipment for the navigation of aircraft, radio relay equipment and special military products in these or closely allied fields.

Twenty-two international air lines now use Canadian Marconi Company air-borne doppler navigation equipment and many different military air services are customers of the Company. A considerable number of units has been delivered to the United States Air Force.

The division has recently completed a major development in the design of a very advanced tactical radio relay equipment for military use. The United States army and the government of Norway have placed orders for quantities of this equipment. Business potential for this equipment is most promising in many other countries.

**Marine and Land Communications Division**—serves the market for mobile and marine radio telephone and marine navigational equipment, point to point radio systems and broadcast station equipment. Its products and services include: broadcast and television transmission and studio equipment; closed circuit television; single sideband, high frequency and very high frequency FM radio telephones; radar; loud hailing equipment; direction finders; echo sounders; fish finders; Loran navigation equipment; site construction, installation and maintenance of the equipment sold or leased.

**Broadcasting Division**—operates television station CFCF-TV, which commenced broadcasting in January 1961, serving Montreal and surrounding areas. The studios are located in Company-owned premises in Montreal and the transmitter is situated on the top of Mount Royal in the centre of the city. It also owns radio stations CFCF, which commenced operation in 1920, CFQR-FM and short-wave CFCX. The operations of the radio stations are housed in the same building as the television operations and are integrated with them.

The Company's television station is one of the two leading English language stations in Canada in respect of size of audience. On September 1, 1966, CFCF-TV began telecasting in colour. Its studios and creative staff are in a position to provide the most up-to-date facilities and techniques for the production of colour and black and white programs.

**Special Services Division**—operates and maintains defence facilities in the Canadian sub-Arctic. It also maintains facilities for the repair and calibration of test equipment and, as well, undertakes the installation and testing of heavy radar systems, communication systems and systems of like nature.

In order to employ its resources in other activities the Company discontinued operation of the Home Electronics Division in December 1965. The capital and facilities previously devoted to the radio and television home receiver business have been effectively re-employed by the Company in other activities.

### Operations in the United States

The wholly-owned U.S. subsidiary of the Company, Kaar Electronics Corporation, handles the products of the Marine and Land Communications Division of the Company and manufactures Marine & Land Communications Equipment at its factory in Ukiah, California. The head office is situated in Linden, New Jersey. Premises are leased and staffed in Mountain View, California; Rahway, New Jersey; Waltham, Massachusetts; New Orleans, Louisiana; and St. Louis, Missouri; for the purpose of housing marine and mobile sales and service centres.



Operations in Mexico

The Company owns 48% of the outstanding capital stock of Industrias de Radiocomunicacion, S.A., a company incorporated in the Republic of Mexico. It occupied a 3,500 square foot plant and office building in July, 1964, and commenced the manufacture and sale of HF radio telephones for the Latin American market.

RESEARCH AND DEVELOPMENT

The growth of the Company's business and profits over the years has been the result of carefully planned and directed programmes for the development and sale of new and better products. In 1966, after receiving substantial support from the Crown in the right of Canada, under development assistance contracts, the Company absorbed research and development charges in the amount of \$4,986,810. The Company employs some 183 graduate engineers and 410 highly qualified technicians.

SUBSIDIARY COMPANIES

Kaar Electronics Corporation, formerly known as Radio Elcom Corporation, is a wholly-owned subsidiary engaged in the manufacture and sale of electronic equipment in the United States of America. Telefaximile Limited is a subsidiary and is a patent-holding company. Canadian Marconi Electronics Limited is a wholly-owned subsidiary which is presently inactive. Canadian Marconi Sales Limited is a wholly-owned subsidiary which is presently inactive.

OUTLOOK

In 1967, four new products on which development work started several years ago will be brought through pre-production and on to first normal production runs. Three of these products are highly sophisticated airborne navigation devices incorporating the latest microminiature techniques for which there are known to be very large requirements. The Company now has pilot production orders for these devices totalling over \$2,000,000. The fourth is equipment for military communications. Orders for this equipment totalling some \$20,000,000 are already in hand and more are clearly in sight. The micro-miniaturized components and other highly precise elements in these products are produced in facilities especially created by the Company for the purpose. The year 1967 will, in common with 1966, be one of substantial investment. The income is expected to flow only in the last few months of this year, then to increase at a rapid rate to a large volume that should continue for several years. Certain large orders originally expected early enough to permit substantial production runs and resulting revenues in 1967 failed to materialize. The Company considers that these orders are merely deferred and as a consequence should augment the volume of orders in 1968 and succeeding years.

Activity by the Company's subsidiary in the commercial communications market in the United States is at the investment stage and is developing favourably but will not reach profitability before the end of this year.

These factors, plus some others of minor individual importance, are expected to result in an operating loss during the first half of 1967. Because of the foregoing factors and because the exact timing of obtaining orders is not within the Company's control, it is difficult to forecast the year end financial result. The important fact is that the Company should then have started shipping new products in large volume resulting in a return to the successful financial results of the past five years.

PURPOSE OF ISSUE

The proceeds of the issue of the \$3,500,000 principal amount of 7% Sinking Fund Debentures, Series B, proposed to be issued by the Company and amounting to \$3,412,500 will be added to the general funds of the Company. Particulars of these Debentures appear in paragraph 9 of the Statutory Information forming part of this prospectus.

The proceeds of an issue of 540,290 Shares of the capital stock of the Company, representing the aggregate number of shares in respect of Rights to subscribe for Shares proposed by the Company to be offered shortly to shareholders, as referred to in paragraph 11 of the Statutory Information forming part of this prospectus and amounting to \$2,161,160, on the basis of all said shares being issued, will also be added to the general funds of the Company.

Out of the general funds of the Company, supplemented by the proceeds of the issue of the Shares and Debentures referred to above, the Company will (a) pay or reduce unsecured bank loans and acceptances, incurred in the ordinary course of the Company's operations and that of a subsidiary, and for working capital for the Company and that subsidiary which as at April 20, 1967, amounted to \$10,620,000 for bank loans and \$4,000,000 for acceptances, (b) pay the cost and expenses of the issue of the said shares, estimated at \$20,000, and (c) pay the expenses of the issue of the \$3,500,000 principal amount of 7% Sinking Fund Debentures, Series B, estimated at \$30,000. After payment of the expenses of the said issues of shares and debentures and after provision for payment of the acceptances in the sum of \$4,000,000 as they fall due, there will be paid in reduction of bank loans approximately \$1,523,660.

CAPITALIZATION

(After giving effect to the issue of the 540,290 Shares representing all shares in respect of which Rights to shareholders have been issued and \$3,500,000 7% Sinking Fund Debentures, Series B.)

	Authorized	To Be Outstanding
Debentures (unsecured).....	(a)	
5¾% Sinking Fund Debentures, Series A, due May 1, 1988	\$6,000,000	\$5,900,000(b)
7% Sinking Fund Debentures, Series B, due June 1, 1989..	3,500,000	3,500,000
Shares (\$1 par value).....	7,500,000 shares	5,943,192 shares

- (a) The amount authorized to be issued under the Trust Agreement under which the Debentures were and are to be issued is unlimited but the issue of additional Debentures is subject to the requirements contained in the Trust Agreement and as hereinafter referred to under the heading "Certain Provisions of The Trust Agreement" which provisions also set out restrictions on various activities of the Company and its subsidiary companies, including a restriction on the declaration or payment of dividends on the Company's shares.
- (b) After giving effect to cancellation on May 1, 1967, of \$100,000 5¾% Sinking Fund Debentures, Series A, purchased by the Company for this purpose in anticipation of sinking fund requirements.



## ASSETS

On the basis of the pro forma consolidated balance sheet of the Company and its subsidiary companies as at December 31, 1966, appearing elsewhere in this prospectus as reported on by the Company's auditors, Messrs. Price Waterhouse & Co., after giving effect to the issue of the 540,290 Shares, representing all shares in respect of which Rights to shareholders are proposed to be issued, and the sale of the \$3,500,000 principal amount of the 7% Sinking Fund Debentures, Series B, but before deducting the 5¾% Sinking Fund Debentures, Series A, and the said 7% Sinking Fund Debentures, Series B, the net tangible assets of the Company and its subsidiaries would have been as follows:—

### Fixed assets:

Land, buildings and equipment.....	\$24,613,005	
Less: Accumulated depreciation.....	<u>10,345,680</u>	\$14,267,325
Sundry assets.....		230,981
Net current assets.....		<u>14,332,085</u>
Net tangible assets.....		<u>28,830,391</u>

On the foregoing basis, the consolidated net tangible assets are equivalent to approximately \$3,067 per \$1,000 principal amount of Debentures, Series A and Series B, to be outstanding upon the completion of the financing referred to above.

Based on the consolidated statement of income, appearing on Page 7, for the five years ended December 31, 1966, average annual income, after depreciation and amortization, interest, other than interest on long-term debt, and before provision for income taxes, other than income taxes of subsidiaries, were as follows:

Average for the five years ended December 31, 1966.....	\$3,387,700
Average for the three years ended December 31, 1966.....	\$3,681,325
Earnings for the year ended December 31, 1966.....	\$2,884,581
Total annual interest charges on all Sinking Fund Debentures to be outstanding...	\$ 584,250

On the basis of the average earnings for the 3 years ended December 31, 1966, the average annual consolidated net earnings are equivalent to approximately 6.3 times the total annual interest charges on all Sinking Fund Debentures to be outstanding.

## CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The outstanding \$5,900,000 principal amount of 5¾% Sinking Fund Debentures, Series A, (hereinafter sometimes referred to as the "Debentures Series A") of the Company are, and the \$3,500,000 principal amount of 7% Sinking Fund Debentures, Series B, offered by this prospectus (hereinafter sometimes referred to as the "Debentures Series B") of the Company will be, in the opinion of Counsel, direct obligations of the Company but will not be secured by any mortgage, pledge or other charge. \$6,000,000 aggregate amount of Debentures Series A were issued pursuant to a trust agreement dated as of May 1, 1965, and made between the Company and The Royal Trust Company, as Trustee. The \$3,500,000 aggregate principal amount of Debentures Series B will be issued pursuant to the said trust agreement and to a supplemental trust agreement, to be dated as of June 1, 1967, supplemental to the said trust agreement. The said trust agreement dated as of May 1, 1965, and the said supplemental trust agreement to be dated as of June 1, 1967, are hereinafter collectively referred to as the "Trust Agreement". The Trust Agreement contains or will contain provisions permitting the issue from time to time of additional debentures thereunder without limit as to aggregate principal amount subject to certain restrictions referred to or to be referred to therein. The said supplemental trust agreement to be dated as of June 1, 1967, will contain, among other things, provisions to the following effect and subject as hereinafter provided.

(A) So long as any of the Debentures Series B remain outstanding, the Company will not mortgage, hypothecate, charge, pledge or otherwise encumber any of its assets to secure its obligations or any of them unless at the same time it shall secure equally and rateably with such obligations all the Debentures then outstanding under the Trust Agreement, nor will the Company permit any Restricted Subsidiary to mortgage, hypothecate, charge, pledge or otherwise encumber any of its assets to secure its obligations or any of them except in favour of the Company or another Restricted Subsidiary; provided that these covenants shall not apply to (i) any security (except on real and immoveable properties and rights) given in the ordinary course of business to secure any indebtedness repayable on demand or maturing within eighteen (18) months of the date on which such indebtedness is incurred or of the date of any renewal or extension thereof; or (ii) the giving or assumption of any Purchase Money Obligations in respect of property (whether or not real or immoveable properties or rights) hereafter acquired provided that such Purchase Money Obligations (if also a Funded Obligation) does not exceed 75% of the cost of such property; or (iii) mortgages, charges or pledges on or of products sold or leased in the ordinary course of business to secure liabilities arising in connection with the refinancing of indebtedness of purchasers or lessees under contracts for the sale or lease of the products covered by such security; or (iv) pledges or deposits under workmen's compensation laws or similar legislation or good faith deposits in connection with bids, tenders, contracts (other than for the borrowing of money or the repayment of money borrowed) or leases or deposits to secure public or statutory obligations or deposits of cash or obligations to secure surety and appeal bonds; or (v) liens or privileges imposed by law such as carriers', warehousemen's, mechanics', material men's and vendors' liens and privileges and liens and privileges arising out of judgments or awards with respect to which judgments or awards the Company or a Restricted Subsidiary at the time shall currently be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review; or (vi) liens or privileges for property taxes not yet subject to penalties (other than interest on any overdue taxes) for non-payment, or minor encumbrances, including rights of way for sewers, electric lines, telegraph and



telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties, which liens, privileges, encumbrances, rights of way and restrictions do not, in the opinion of the Company or of a Restricted Subsidiary, in the aggregate materially detract from the value of the said properties or materially impair their use in the operation of the business of the Company or of a Restricted Subsidiary; or (vii) any mortgage, hypothec, charge, pledge or other encumbrance given or granted by any Restricted Subsidiary pursuant to the terms of any trust deed or similar document entered into by such Restricted Subsidiary prior to the date when it became a Subsidiary;

(B) So long as any of the Debentures Series B remain outstanding, no additional Funded Obligations of the Company will be issued having a maturity date prior to June 1, 1989, other than Debentures or other obligations maturing serially or Purchase Money Obligations;

(C) So long as any of the Debentures Series B remain outstanding, the Company will not create or issue any additional Funded Obligations, other than Purchase Money Obligations, of which the mandatory retirement provisions (by maturities, serial or otherwise, and/or by sinking fund) would in any twelve months' period while the Debentures Series B are outstanding provide for the retirement of a proportionately greater principal amount of such additional Funded Obligations than the aggregate principal amount of Debentures Series B required to be retired in such twelve months' period pursuant to the mandatory sinking fund retirement provisions attaching to the Debentures Series B, unless the provisions of the Trust Agreement are amended in terms satisfactory to the Trustee to require the retirement by the Company in such twelve months' period of such principal amount or greater principal amount of Debentures Series B as to ensure that the aggregate principal amount of Debentures Series B required to be retired in such twelve months' period shall not be proportionately less than the aggregate principal amount of such additional Funded Obligations to be retired in such twelve months' period pursuant to the said mandatory retirement provisions attaching to such additional Funded Obligations. In determining any proportion hereunder, there shall be used the aggregate principal amount of Debentures Series B outstanding at the date of the first delivery of such additional Funded Obligations and the principal amount of all such additional Funded Obligations, including the Funded Obligations the delivery of which is to be delayed or deferred;

(D) So long as any of the Debentures Series B remain outstanding, the Company will not issue or become liable on any other Funded Obligations (exclusive of Purchase Money Obligations not exceeding 75% of the cost of the property acquired), unless:

(a) the Consolidated Net Tangible Assets of the Company and its Restricted Subsidiaries shall be equal to at least two and one-half times the principal amount of all Consolidated Funded Obligations of the Company and its Restricted Subsidiaries to be outstanding, excluding Funded Obligations to be retired out of the proceeds of the proposed issue; and

(b) the average annual Consolidated Net Earnings of the Company and its Restricted Subsidiaries for the three completed fiscal years next preceding such issue shall have been at least equal to five times the aggregate annual interest requirements of all Consolidated Funded Obligations of the Company and its Restricted Subsidiaries to be outstanding, excluding Funded Obligations to be retired out of the proceeds of the proposed issue;

For the purposes of the foregoing sub-paragraph (a) of this paragraph (D) there may be included in Consolidated Net Tangible Assets of the Company and its Restricted Subsidiaries, in the case of a Funded Obligation which is a Purchase Money Obligation, the cost of the property being acquired subject to such Purchase Money Obligation.

For the purposes of the foregoing sub-paragraph (b) of this paragraph (D) there may be included in Consolidated Net Earnings of the Company and its Restricted Subsidiaries the net earnings (before depreciation, depletion, amortization, interest on Funded Obligations and income taxes) of any business to be acquired (whether through acquisition of shares or otherwise) by the Company or by any Restricted Subsidiary out of the proceeds of such additional Funded Obligations.

For the purposes of the calculations required to be made under sub-paragraphs (a) and (b) of this paragraph (D):

(i) when determining any ratio between Consolidated Net Tangible Assets and Consolidated Funded Obligations of the Company and its Restricted Subsidiaries, such determination shall be made as at a date not more than one hundred and twenty (120) days prior to the date of the adoption of the resolution of directors authorizing the issue of the Funded Obligations in respect of which such ratio is being determined, and there shall be taken into calculation all issues and retirements of Funded Obligations and of shares of capital stock and the net value of the consideration received for such issues and the expenditures on such retirements made and received, as the case may be, subsequent to the date as of which such determination is being made up to and including the date of the first delivery of any of the Funded Obligations authorized by such resolution and including all the other Funded Obligations of the particular issue or series of which the Funded Obligations of such first delivery form part and which have been authorized for issue by said resolution and the estimated net value of the consideration to be received on the issue of such other Funded Obligations;

(ii) when determining any ratio between average annual Consolidated Net Earnings and the annual interest requirements on Funded Obligations there shall be taken into account the interest requirements on all Funded Obligations of the Company and its Restricted Subsidiaries to be outstanding on the day following the date of the first delivery of the Funded Obligations in respect of which the said ratio is being determined and on all the other Funded Obligations of the particular issue or series of which the Funded Obligations of such first delivery shall form part and which have been authorized for issue by the resolution providing for such issue;

(iii) there shall be excluded from such calculations all Funded Obligations of any Restricted Subsidiary payable to the Company or to any other Restricted Subsidiary;



(iv) when determining the average annual Consolidated Net Earnings the financial accounts of all Restricted Subsidiaries at the date of the adoption of the resolution of directors referred to above shall be included both prior to as well as after the respective dates when such Restricted Subsidiaries became Restricted Subsidiaries; and

(v) all such calculations and determinations shall be made by the Auditors of the Company (who shall be entitled to rely on determinations made by the appointed auditors of Subsidiaries) in accordance with sound accounting practice.

(E) So long as any of the Debentures Series B are outstanding the Company will not

(i) declare or pay any dividends (other than in shares of the Company's capital stock) on any of its shares at any time outstanding or

(ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding (except out of the proceeds of an issue of shares made at any time after December 31, 1964, and prior to or contemporaneously with any such redemption, reduction, purchase or payment)

unless immediately after giving effect to such action:

(a) the Consolidated Net Tangible Assets of the Company and its Restricted Subsidiaries shall be equal to at least two and one-half times the principal amount of all Consolidated Funded Obligations of the Company and its Restricted Subsidiaries; and

(b) the Consolidated Net Current Assets of the Company and its Restricted Subsidiaries shall be not less than the sum of \$5,000,000.

(F) So long as any of the Debentures Series B are outstanding, the Company will not permit any Restricted Subsidiary to guarantee any Funded Obligations or dividends of any person, firm or corporation other than the Company or any Restricted Subsidiary.

(G) So long as any of the Debentures Series B are outstanding, the Company will not sell or otherwise dispose of nor will it permit any Restricted Subsidiary to issue, sell or otherwise dispose of or to become liable on (except to the Company or to a Restricted Subsidiary) any Funded Obligations (exclusive of Purchase Money Obligations not exceeding 75% of the cost of the property acquired) of a Restricted Subsidiary.

The following expressions which are used above will be defined in the Trust Agreement substantially as follows:

"Consolidated Funded Obligations of the Company and its Restricted Subsidiaries" means the total of the Funded Obligations of the Company and its Restricted Subsidiaries determined on a consolidated basis in accordance with sound accounting practice.

"Consolidated Net Current Assets of the Company and its Restricted Subsidiaries" means the excess of the total of all current assets of the Company and its Restricted Subsidiaries over the total of all the current liabilities of the Company and its Restricted Subsidiaries determined on a consolidated basis in accordance with sound accounting practice.

"Consolidated Net Earnings of the Company and its Restricted Subsidiaries" means the total operating and non-operating revenues, other than proceeds from the sale of investments and fixed assets, less all fixed charges, costs of products sold and all administration, selling and operating expenses of every character in connection therewith, other than interest charges on Funded Obligations, taxes on income, profits or capital and other than depreciation, depletion and amortization, all as determined on a consolidated basis in accordance with sound accounting practice.

"Consolidated Net Tangible Assets of the Company and its Restricted Subsidiaries" means the total of all assets appearing on a consolidated balance sheet of the Company and its Restricted Subsidiaries, prepared in accordance with sound accounting practice, less the sum of the following amounts appearing on such consolidated balance sheet:

(i) amounts, if any, at which goodwill, trademarks, copyrights, patents and other similar intangible assets and unamortized stock or debt commission, discount, expense and premium shall appear as assets,

(ii) in the case of any asset of the Company, the amount of any write up of the value of such asset and, in the case of any asset of a Restricted Subsidiary, the amount of any write up of the value of such asset if made on the books of such Restricted Subsidiary after a date six months prior to the date on which such Restricted Subsidiary became a Subsidiary,

(iii) all amounts at which investments in Subsidiaries which are not being consolidated shall appear on such consolidated balance sheet as assets,

(iv) the amount of all liabilities, other than the principal amount of Funded Obligations, capital stock, surpluses and such reserves as may be determined by the Company's Auditors not to be required to be set up as liabilities and other than contingent liabilities except to such extent, if any, as such Auditors in their discretion shall determine, and

(v) any minority interest appearing on such consolidated balance sheet;

all as determined on a consolidated basis in accordance with sound accounting practice.



"Funded Obligations" means any indebtedness, including Purchase Money Obligations, incurred, assumed or guaranteed in respect of borrowed money, whether secured or unsecured, the due date for payment of the whole or any part of the principal of which is 18 months or more after the date of the incurring, assumption or guarantee thereof but shall not mean or include any liability arising in connection with the refinancing of indebtedness of purchasers or lessees under contracts for the sale or lease of products in the ordinary course of business by the Company or any Subsidiary.

"Purchase Money Obligations" means (i) any indebtedness, whether or not secured, created, assumed or guaranteed as part of the purchase price of property acquired by the Company or any Restricted Subsidiary or for money borrowed to pay all or any part of such purchase price and (ii) any encumbrance, whether mortgage, hypothec, lien, privilege or other encumbrance affecting such property at the time of, or in connection with, such acquisition, whether or not personally assumed or granted by the acquirer, and remaining undischarged after such acquisition and (iii) any extensions, renewals or refundings of any of the foregoing, provided that the principal amount of the indebtedness, or secured by the encumbrance, and outstanding on the date of such extension, renewal or refunding is not increased.

"Restricted Subsidiary" means any Subsidiary which the directors by resolution shall have determined to be a Restricted Subsidiary and which before such determination shall have repaid all Funded Obligations (other than Funded Obligations held by the Company or by another Restricted Subsidiary and other than Purchase Money Obligations) incurred by it after the date on which it became a Subsidiary. Any Restricted Subsidiary shall be a Restricted Subsidiary so long as it remains a Subsidiary.

"Subsidiary" means any corporation of which more than fifty per cent (50%) of the Voting Stock is owned, directly or indirectly, by or for the Company or by or for any corporation in like relation to the Company and includes any corporation in like relation to a Subsidiary.

"Voting Stock" means shares of capital stock of any class of a corporation having under all circumstances the right to elect at least a majority of the directors of such corporation.

The said trust agreement dated as of May 1, 1965, contains provisions, which apply so long as any Debentures Series A remain outstanding, similar, *mutatis mutandis*, to those hereinbefore appearing which are to apply so long as any Debentures Series B remain outstanding.

At the present time no Subsidiary has been determined by the directors to be a Restricted Subsidiary.

## FINANCIAL STATEMENTS

Attached hereto are the consolidated balance sheet and the pro forma Consolidated Balance Sheet of the Company and its subsidiaries, as at December 31, 1966 and the consolidated statement of income and retained earnings for the five years ended on that date, as reported upon by Messrs. Price Waterhouse & Co., Chartered Accountants, Montreal, P.Q.

### CANADIAN MARCONI COMPANY and Subsidiary Companies

#### Consolidated Statement of Income and Retained Earnings for the five years ended December 31, 1966.

	1962	1963	1964	1965	1966
Sales and revenues . . . . .	\$49,321,000	\$52,241,000	\$54,129,000	\$60,473,000	\$61,578,000
Income before depreciation and amortization, interest and income taxes (Notes 1 and 2)	4,453,517	4,866,997	5,647,606	6,694,993	6,012,093
Depreciation and amortization	1,018,602	1,212,336	1,434,966	1,939,430	2,483,235
Interest on long-term debt . . .	237,387	239,198	238,383	328,819	375,575
Bank and other interest . . . . .	593,628	556,420	250,713	240,097	622,277
	1,849,617	2,007,954	1,924,062	2,508,346	3,481,087
Income before income taxes (Note 3) . . . . .	2,603,900	2,859,043	3,723,544	4,186,647	2,531,006
Income taxes (Note 4) . . . . .	1,554,310	1,393,000	1,700,000	1,950,000	900,000
Net income . . . . .	1,049,590	1,466,043	2,023,544	2,236,647	1,631,006
Retained earnings at beginning of year . . . . .	4,219,494	5,269,084	6,461,846	7,916,055	8,961,580
General reserve transferred . . .	—	—	—	300,000	—
	\$ 5,269,084	\$ 6,735,127	\$ 8,485,390	\$10,452,702	\$10,592,586
Dividends . . . . .	—	273,281	569,335	810,435	540,290
Cost of terminating home electronics division operations, less applicable income taxes (Note 5) . . . . .	—	—	—	495,000	700,000
Commission and expenses on sale of debentures . . . . .	—	—	—	185,687	—
Retained earnings at end of year . . . . .	\$ 5,269,084	\$ 6,461,846	\$ 7,916,055	\$ 8,961,580	\$ 9,352,296

The accompanying notes are part of the financial statements.



**CANADIAN MARCONI COMPANY**  
and Subsidiary Companies

**Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet**  
as at December 31, 1966

After giving effect in the pro forma consolidated balance sheet to the following proposed transactions:

1. The issue by Canadian Marconi Company, pursuant to an offering of shares to shareholders at the price of \$4 per share, cash, aggregating \$2,161,160, expiring on June 1, 1967, or such other date not later than August 1, 1967, as the Company may determine, of 540,290 shares of capital stock of the company of a par value of \$1 each, of which aggregate amount \$540,290 has been credited to capital stock account and \$1,620,870 to contributed surplus.
2. The issue and sale by Canadian Marconi Company of \$3,500,000 principal amount of 7% Sinking Fund Debentures, Series B, due June 1, 1989, for \$3,412,500 cash.
3. The charge to retained earnings of \$30,000 for estimated expenses and the discount of \$87,500 on the sale of 7% Sinking Fund Debentures, Series B, and of \$20,000 for the estimated expenses of the issue of 540,290 shares of capital stock of the company.
4. The reduction of bank loans and acceptances.

**ASSETS**

	Balance sheet	Pro forma balance sheet
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 146,640	\$ 146,640
Accounts receivable (less allowance of \$400,000 for doubtful accounts)	11,620,471	11,620,471
Inventories, at the lower of cost or net realizable market.....	18,920,093	18,920,093
Prepaid expenses.....	1,597,665	1,597,665
	<u>32,284,869</u>	<u>32,284,869</u>
<b>SUNDRY ASSETS:</b>		
Deferred accounts receivable.....	126,090	126,090
Investments in associated companies, less provisions of \$50,777 for possible losses.....	95,891	95,891
Advances to associated company, less provision of \$70,500 for possible loss.....	9,000	9,000
	<u>230,981</u>	<u>230,981</u>
<b>FIXED ASSETS, AT COST:</b>		
Land.....	\$ 891,531	
Building.....	8,711,541	
Plant and machinery.....	8,967,974	
Furniture, fixtures and equipment.....	6,041,959	
Less: Accumulated depreciation.....		
	<u>10,345,680</u>	<u>10,345,680</u>
	<u>14,267,325</u>	<u>14,267,325</u>
	<u>\$ 46,783,175</u>	<u>\$ 46,783,175</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>CURRENT LIABILITIES:</b>		
Bank loans and acceptances unsecured (head note 4).....	\$ 12,600,859	\$ 7,077,199
Accounts payable and accrued liabilities.....	10,136,747	10,136,747
Accrued income taxes.....	633,398	633,398
Sales and excise taxes payable.....	105,440	105,440
	<u>23,476,444</u>	<u>17,952,784</u>
<b>LONG-TERM DEBT:</b>		
5¾% Unsecured sinking fund debentures, Series A, due May 1, 1988 (Note 6).....	5,900,000	5,900,000
7% Unsecured sinking fund debentures, Series B, due June 1, 1989 (head note 2).....	—	3,500,000
	<u>5,900,000</u>	<u>9,400,000</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock—		
Authorized—7,500,000 shares of \$1 each		
Issued and fully paid—		
5,402,902 shares.....	5,402,902	—
5,943,192 shares (head note 1).....	—	5,943,192
Contributed surplus (note 7 and head note 1).....	2,651,533	4,272,403
Retained earnings (head note 3).....	9,352,296	9,214,796
	<u>17,406,731</u>	<u>19,430,391</u>
	<u>\$ 46,783,175</u>	<u>\$ 46,783,175</u>

*The accompanying notes are part of the financial statements.*

Approved on behalf of the Board:

(Signed) STUART FINLAYSON, Director

(Signed) W. V. GEORGE, Director



# CANADIAN MARCONI COMPANY and Subsidiary Companies

## NOTES TO THE FINANCIAL STATEMENTS

1. The consolidated financial statements show the financial position as at December 31, 1966 and the results of operations for the five years then ended of Canadian Marconi Company and its subsidiaries. These are Telefaximile Limited, Canadian Marconi Sales Limited, Canadian Marconi Electronics Limited and Kaar Electronics Corporation (including its subsidiaries, Kaar Electronics Leasing Corporation and Kaar Communications Corporation from their dates of incorporation in 1964). The financial statements of United States subsidiaries have been translated into Canadian dollars at the rate of \$1.08 to the U.S. dollar.

2. Income before depreciation and amortization, interest and income taxes for 1962 is stated after charging the following extraordinary items:

Shut-down expenses of electronic tube plant.....	\$193,585
Preproduction expenses of television station.....	351,110

3. Consolidated income available for payment of interest on long-term debt of Canadian Marconi Company, after deducting income taxes of subsidiary companies, was as follows:

1962.....	\$2,841,287
1963.....	3,053,241
1964.....	3,823,927
1965.....	4,335,466
1966.....	2,884,581

4. The federal income tax returns of Canadian Marconi Company have been reviewed and assessed up to and including the year 1964; assessments have been received from the Province of Quebec up to 1961 and from the Province of Ontario up to 1962. Provisions for income taxes in respect of years not assessed are considered adequate. Provisions for income taxes of subsidiary companies are considered adequate and are not significant.

5. In December 1965 the company announced its decision to withdraw from the business of supplying home entertainment devices carried on to that date by its Home Electronics Division. The amounts of \$495,000 and \$700,000 charged to retained earnings in 1965 and 1966 respectively represent the costs (less applicable income taxes) of terminating the operations of that division, including provisions for losses on disposal of inventories and fixed assets, losses on accounts receivable and all other expenses of termination, including maintenance of spare parts and service to meet warranty liabilities.

6. Sinking fund provisions of the Series A debentures require payments of \$100,000 annually in the years 1967 to 1970 and \$150,000 in 1971. In 1966, debentures having a face value of \$100,000 were purchased to meet the 1967 requirement.

7. Contributed surplus arose in 1965 on the issue of 848,220 fully paid shares of capital stock on conversion of a 5½% unsecured convertible redeemable debenture in the principal amount of £1,266,082, formerly carried in the company's accounts at \$3,500,000.

## AUDITORS' REPORT

To the Board of Directors  
of Canadian Marconi Company:

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Canadian Marconi Company and subsidiary companies as at December 31, 1966 and the consolidated statement of income and retained earnings for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

- (a) The accompanying consolidated balance sheet presents fairly the financial position of the companies as at December 31, 1966;
- (b) The accompanying pro forma consolidated balance sheet presents fairly the financial position of the companies as at December 31, 1966 after giving effect to the changes set forth in the head notes thereto;
- (c) The accompanying consolidated statement of income and retained earnings presents fairly the results of operations of the companies for the five years ended December 31, 1966;

all in accordance with generally accepted accounting principles applied on a consistent basis.

Montreal, April 25, 1967.

(Signed) PRICE WATERHOUSE & Co.  
Chartered Accountants.



## STATUTORY INFORMATION

1. The full name of the Company is CANADIAN MARCONI COMPANY (hereinafter called the "Company") and the address of its Head Office is 2442 Trenton Avenue, Montreal, Quebec.
2. The Company was incorporated as "Marconi Wireless Telegraph Company of Canada, Limited," on November 1, 1902, under the Ontario Companies Act. Subsequently the shareholders of that company were incorporated as a new company under the name of "The Marconi Wireless Telegraph Company of Canada, Limited," by Special Act of the Parliament of Canada, 3 EDWARD VII, Chapter 149, which was assented to and came into effect on August 13, 1903, and the new company was vested with all the properties and rights of the Ontario company. The said Special Act was amended by Special Act of Parliament, 15-16 GEORGE V, Chapter 77, assented to June 12, 1925, which also changed the name of the Company to "Canadian Marconi Company". The said Special Act was further amended by Special Acts of Parliament 25-26 GEORGE V, Chapter 70, assented to July 5, 1935, and 11-12 GEORGE VI, Chapter 85, assented to June 30, 1948. With certain exceptions, the Company is governed by Part III of the Companies Act of Canada.
3. The general nature of the business actually transacted and to be transacted is the development, manufacture, sale, leasing, installation and maintenance of electronic equipment and the operation of radio and television broadcasting stations.
4. The names in full, present occupations and home addresses of the directors and officers of the Company are as follows:

### Directors

CHARLES-ÉMILE BÉLANGER.....	Chartered Accountant, Partner— Bélanger, Saint-Jacques, Sirois, Comtois & Cie.....	1267 Portland Avenue, Sherbrooke, Quebec.
JOHN ALEXANDER BOYD.....	Vice-Chairman— Canadian Marconi Company.....	36 Maple Avenue, Toronto 5, Ontario.
HAZEN HANSARD.....	Queen's Counsel, Partner— Cate, Ogilvy, Bishop, Cope, Porteous & Hansard.....	17 Edgehill Road, Westmount, Montreal 6, Quebec.
STUART MILNER FINLAYSON.....	Chairman and Chief Executive Officer— Canadian Marconi Company....	1 Kilburn Crescent, Hampstead, Montreal 29, Quebec.
WILLIAM VICTOR GEORGE.....	President— Canadian Marconi Company....	1227 Sherbrooke Street West, Montreal 25, Quebec.
SENATOR THE HONOURABLE ADRIAN KNATCHBULL-HUGESSEN.....	Queen's Counsel, Counsel to Smith, Davis, Anglin, Laing, Weldon & Courtois.....	4386 Montrose Avenue, Westmount, Montreal 6, Quebec.
HOWARD JEROME LANG.....	President and Chief Executive Officer— Canada Iron Foundries Limited..	482 Roslyn Avenue, Westmount, Montreal 6, Quebec.
THE RIGHT HONOURABLE LORD NELSON OF STAFFORD.....	Chairman and Chief Executive— The English Electric Company, Limited.....	19 Acacia Road, London, N.W.8, England.
JAMES GEOFFREY NOTMAN, O.B.E.....	Director—Canadair Limited:.....	4655 Roslyn Avenue, Montreal 29, Quebec.
SIR GORDON RADLEY, K.C.B., C.B.E....	Director—The English Electric Company, Limited.....	13 Gills Hill, Radlett, Herts, England.
IAN DAVID SINCLAIR, Q.C.....	President—Canadian Pacific Railway Company.....	306 Brock Ave. North, Montreal West, Montreal 28, Quebec.

### Officers

STUART MILNER FINLAYSON.....	Chairman and Chief Executive Officer.....	1 Kilburn Crescent, Hampstead, Montreal 29, Quebec.
JOHN ALEXANDER BOYD.....	Vice-Chairman.....	36 Maple Avenue, Toronto 5, Ontario.
WILLIAM VICTOR GEORGE.....	President.....	1227 Sherbrooke Street West, Montreal 25, Quebec.



LEROY MACKENZIE DALEY.....	Executive Vice President— Operations.....	11 East Gables Court, Beaconsfield, Quebec.
ANDREW GILMOUR MCCAUGHEY.....	Executive Vice President— Finance and Administration and Secretary-Treasurer.....	186 Strathcona Drive, Town of Mount Royal, Montreal 16, Quebec.
FRANCIS BRIAN DANCER.....	Vice President and Comptroller.....	40 Rockwood Drive, Dollard des Ormeaux, Quebec.
STEPHEN BOYD HAYWARD.....	Vice President— Broadcasting Division.....	137 Marlin Crescent, Pointe Claire, Quebec.
WILLIAM ROBERT BITCHENO.....	Vice President— Commercial Products Division...	4774 Meridian Avenue, Montreal 29, Quebec.
JOHN HENRY MARTIN.....	Vice President— Marine and Land Communications Division.....	1300 Beaulieu Street, St. Laurent, Montreal 9, Quebec.
RODERICK MACLEOD.....	Vice President— Special Services Division.....	12213 de la Corne Street, Montreal 9, Quebec.
JACK ARNOLD HOWLETT.....	Vice President— Industrial Relations Division...	Birch Hill Avenue, Hudson Heights, Quebec.
COLIN WILLIAM PERRY.....	Assistant Secretary.....	4660 Beaconsfield Avenue, Montreal 28, Quebec.
EDWIN DAVID HICKIN.....	Assistant Treasurer.....	4542 Marcil Avenue, Montreal 28, Quebec.

5. The Auditors of the Company are Price Waterhouse & Co., Chartered Accountants, 5 Place Ville Marie, Montreal, Que.

6. The Registrar of the capital stock of the Company is Montreal Trust Company at its main offices in Montreal, P.Q., Vancouver, B.C., Toronto, Ont., and Halifax, N.S. The Transfer Agent of the capital stock of the Company is Eastern & Chartered Trust Company at its main offices in Montreal, P.Q., Vancouver, B.C., Toronto, Ont., and Halifax, N.S. The 5¼% Sinking Fund Debentures, Series A, and the 7% Sinking Fund Debentures, Series B, may be registered and while so registered may be transferred at the main offices of The Royal Trust Company, Montreal, P.Q., Vancouver, B.C., Toronto, Ont., and Halifax, N.S.

7. The authorized share capital of the Company consists of 7,500,000 Shares having a par value of one dollar each, of which at the date hereof 5,402,902 have been issued as fully paid and are outstanding.

8. The Shares of the Company are entitled to one vote per share at all meetings of shareholders and on liquidation or other distribution of assets are entitled to participate equally in any and all assets available for distribution to shareholders.

9.

#### DEBENTURES

The Company has outstanding \$5,900,000 principal amount of unsecured 5¼% Sinking Fund Debentures, Series A (hereinafter sometimes referred to as "Debentures Series A") dated as of May 1, 1965, maturing May 1, 1988, redeemable (other than for sinking fund purposes) at the option of the Company as a whole at any time or in part from time to time on 30 days notice at a premium of 5.50% of the principal amount thereof up to and including April 30, 1967, the premium thereafter decreasing .25 of 1% of the principal amount thereof for each year commenced or elapsed to and including April 30, 1988, in each case with accrued interest to the date fixed for redemption; provided that no such redemption may be affected on or before April 30, 1975, directly or indirectly from or in anticipation of moneys borrowed by or on account of the Company or any affiliated company at an interest rate or an effective interest cost to the Company of less than 5¼% per annum. The Debentures Series A are redeemable for sinking fund purposes on 30 days notice at the principal amount thereof with accrued interest to the date fixed for redemption. As a sinking fund for the Debentures Series A the Company has covenanted in the trust agreement dated as of May 1, 1965, hereinafter referred to to pay to the Trustee thereunder sums sufficient to retire on May 1 in each of the years 1967 to 1970, inclusive, \$100,000 principal amount thereof; in each of the years 1971 to 1974, inclusive, \$150,000 thereof; in each of the years 1975 to 1979, inclusive \$200,000 thereof; in each of the years 1980 to 1983, inclusive, \$250,000 thereof; and in each of the years 1984 to 1987, inclusive, \$300,000 thereof. The Company will have the right to tender Debentures Series A to the Trustee under the said trust agreement and receive credit at the principal amount thereof in satisfaction in whole or in part of sinking fund obligations.

The Company is proposing to issue \$3,500,000 principal amount of 7% Sinking Fund Debentures, Series B, (hereinafter sometimes referred to as the "Debentures Series B") to be dated June 1, 1967, and to mature on June 1, 1989, redeemable (other than for sinking fund purposes) at the option of the Company as a whole at any time or in part from time to time, on 30 days notice at a premium of 7% of said principal amount up to and including May 31, 1968, the premium thereafter decreasing .35 of 1% of such principal amount for each year commenced or elapsed to and including May 31, 1989, in each case with accrued interest to the date fixed for redemption; provided that no such redemption may be effected on or before May 31, 1982, directly or indirectly from or in anticipation of moneys borrowed by or on account of the Company or any affiliated company at an interest rate or an effective interest cost to the Company of less than 7% per annum. The Debentures Series B will be redeemable for sinking fund purposes on 30 days notice at the principal amount thereof with accrued interest to the date fixed



for redemption. As a sinking fund for the Debentures Series B, the Company will covenant in the supplemental trust agreement to be dated as of June 1, 1967, hereinafter referred to as the "Trust Agreement", to pay to the Trustee thereunder sums sufficient to retire on June 1 in each of the years 1969 to 1971, inclusive, \$58,000 principal amount thereof; in each of the years 1972 to 1974, inclusive, \$87,000 thereof; in each of the years 1975 to 1979, inclusive, \$116,000 thereof; in each of the years 1980 to 1983, inclusive, \$140,000 thereof; and in each of the years 1984 to 1988, inclusive, \$175,000 thereof. The Company will have the right to tender Debentures Series B to the Trustee and receive credit at the principal amount thereof in satisfaction in whole or in part of sinking fund obligations.

The Trust Agreement provides that events of default thereunder rendering the rights and remedies thereby constituted or contemplated enforceable, subject to the terms of the Trust Agreement, are to the following effect: failure in the payment of principal or premium; failure in the payment of interest or sinking fund continuing for a period of 60 days; insolvency or bankruptcy; enforcement of execution against the Company's property; default under the provisions of an instrument creating a charge upon real and immoveable properties of the Company unless remedied within 90 days of notice thereof from the Trustee; default in observance or performance of any other covenant or condition in the Trust Agreement continuing for a period of 90 days after notice from the Trustee; or fulfilment of any other obligations under the Trust Agreement. In the event of such default, the holders of not less than a majority in principal amount of Debentures then outstanding by written instrument, or the Debentureholders by extraordinary resolution, have power to direct the Trustee to waive the default on such terms and conditions as may be prescribed.

The outstanding \$5,900,000 principal amount of 5¾% Sinking Fund Debentures, Series A, (hereinafter referred to as the "Debentures Series A") of the Company are, and the \$3,500,000 principal amount of 7% Sinking Fund Debentures, Series B, (hereinafter sometimes referred to as the "Debentures Series B") of the Company will be, in the opinion of Counsel, direct obligations of the Company but will not be secured by any mortgage, pledge or other charge. \$6,000,000 aggregate amount of Debentures Series A were issued pursuant to a trust agreement dated as of May 1, 1965, and made between the Company and The Royal Trust Company, as Trustee. The \$3,500,000 aggregate principal amount of Debentures Series B will be issued pursuant to the said trust agreement and to a supplemental trust agreement, to be dated as of June 1, 1967, supplemental to the said trust agreement. The said trust agreement dated as of May 1, 1965, and the said supplemental trust agreement to be dated as of June 1, 1967, are hereinafter collectively referred to as the "Trust Agreement". The Trust Agreement contains or will contain provisions permitting the issue from time to time of additional debentures thereunder without limit as to aggregate principal amount subject to certain restrictions referred to or to be referred to therein. The said supplemental trust agreement to be dated as of June 1, 1967, will contain, among other things, provisions to the effect of those appearing on page 4 of this prospectus and subject as therein set forth to which reference is hereby expressly made. The Debentures Series A and the Debentures Series B rank *pari passu* with each other and with all other Debentures which may be issued under the Trust Agreement.

The said trust agreement dated as of May 1, 1965, contains provisions, which apply so long as any Debentures Series A remain outstanding, similar, *mutatis mutandis*, to those hereinbefore appearing on page 4 of this prospectus which are to apply so long as any Debentures Series B remain outstanding.

#### ACCEPTANCES

As at April 20, 1967, the Company had outstanding either demand or 30 to 90 day unsecured bank loans and acceptances, incurred in the ordinary course of the Company's operation and that of a subsidiary, and for working capital of the Company and that subsidiary, amounting in the aggregate to \$10,620,000 for bank loans and \$4,000,000 for acceptances which is proposed to be repaid or reduced out of the general funds of the Company following the issue of the 540,290 shares of the Company, representing the subscription rights offered to shareholders referred to in paragraph 11 of this statutory information, and the sale of the Debentures Series B.

Other than the Debentures Series A and the Debentures Series B, there are no other bonds or debentures outstanding or proposed to be issued and there are no securities issued or proposed to be issued other than promissory notes representing unsecured bank loans and the said acceptances which will rank ahead of or *pari passu* with the said 540,290 shares and the Debentures Series B.

10. The Company does not now propose to create or assume any substantial indebtedness which is not shown on the consolidated balance sheet of the Company as at December 31, 1966, forming part of this prospectus except the Debentures Series B. Since December 31, 1966, the Company's outstanding bank loans were increased from time to time. As at April 20, 1967, these loans amounted to \$10,620,000.

11. No securities of the Company are covered by options outstanding or proposed to be given except that the Company proposes to issue shortly to the holders of its Shares, other than those residing in the United States of America or its territories or possessions, Rights, evidenced by transferable subscription warrants, to subscribe for a total of 540,290 Shares of the par value of \$1 each of the capital stock of the Company at the price of \$4 per share, on the basis of one additional Share for each 10 Shares held, and which Shares Canmar Investment Company Limited, the holder of a majority of the outstanding Shares of the Company, has agreed to take up and pay for to the extent not taken up and paid for by the holders of the said subscription warrants as referred to in paragraph 16 of this Statutory Information. Reference is made to the underwriting agreement referred to in said paragraph 16 with respect to the sale by the Company of the Debentures Series B.

12. Reference is made to paragraph 16 of this Statutory Information disclosing the number of shares of the capital stock of the Company and the principal amount and correct descriptive title of the 7% Sinking Fund Debentures, Series B, of the Company proposed to be issued and the issue prices thereof to the Company and to the purchasers, respectively.

Within the two years preceding the date hereof the Company has not issued any securities other than:—

- (a) the \$6,000,000 principal amount of 5¾% Sinking Fund Debentures, Series A, referred to in paragraph 9 of this Statutory Information which were issued for cash at a price of \$5,850,000 and accrued interest to May 4, 1965, of which \$100,000 is held for cancellation on May 1, 1967.



(b) 848,220 shares of the capital stock of the Company issued to The English Electric Company, Limited on conversion by it of £1,266,000 5½% Debentures of the Company of the £1,266,082 of said Debentures then outstanding, the remaining £82 of said Debentures being paid off in cash, and

(c) the promissory notes and acceptances referred to in paragraph 9 of this Statutory Information and short term acceptances which they may have replaced.

13. The estimated net proceeds to be derived from the issue of the 540,290 Shares referred to in paragraph 11 of this Statutory Information and from the sale of the Debentures Series B on the basis that all said Shares and Debentures are fully taken up and paid for are as set forth in paragraph 14 of this Statutory Information. The cost and expenses of the issue of the said shares are estimated at \$20,000, and the expenses of the issue of the Debentures Series B are estimated at \$30,000.

14. The proceeds of the issue of the 540,290 Shares representing the aggregate number of shares in respect of the Rights proposed by the Company to be offered to shareholders and amounting to \$2,161,160, on the basis of all said shares being issued, will be added to the general funds of the Company.

The proceeds of the issue of \$3,500,000 principal amount of the Debentures Series B and amounting to \$3,412,500 will also be added to the general funds of the Company.

Out of the general funds of the Company, supplemented by the proceeds of the issue of the shares and debentures referred to above, the Company will (a) pay or reduce unsecured bank loans and acceptances, incurred in the ordinary course of the operations of the Company and a subsidiary, and for working capital of the Company and that subsidiary, which as at April 20, 1967, amounted to \$10,620,000 for bank loans and \$4,000,000 for acceptances, (b) pay the expenses of the issue of the said shares, estimated at \$20,000, and (c) pay the expenses of the issue of the \$3,500,000 principal amount of the Debentures Series B, estimated at \$30,000. After payment of the expenses of the said issues of shares and debentures and after provision for payment of the acceptances in the sum of \$4,000,000 as they fall due, there will be paid in reduction of bank loans approximately \$1,523,660.

15. No shares are offered by this prospectus.

16. Under agreement dated April 21, 1967, between the Company and Canmar Investment Company, Limited, of 2442 Trenton Avenue, Montreal, the holder of a majority of the outstanding shares of the Company, Canmar Investment Company, Limited, has agreed to buy all of the 540,290 Shares not subscribed for pursuant to the rights offering referred to in paragraph 11 of this Statutory Information at a price of \$4.00 per share.

Under agreement dated April 21, 1967, between the Company and Royal Securities Corporation Limited, the Company has agreed to sell and the said party, as underwriter, has agreed, upon and subject to the terms and conditions stated therein, to buy all of the \$3,500,000 principal amount of 7% Sinking Fund Debentures, Series B, (the "Debentures Series B") proposed to be issued by the Company at a price of \$3,412,500 payable in cash on delivery thereof. The resale price to the public of the Debentures Series B by the said underwriter will be 100% of the principal amount thereof and accrued interest thereon to the date of delivery thereof.

17. The By-laws of the Company contain the following provision with respect to the remuneration of directors:

"The remuneration of the Directors, exclusive of such Directors as may be salaried Officers of the Company, shall be such sum in the aggregate as shall be voted to them by the Annual Meeting of the Shareholders, and the remuneration shall be divided among the Directors in such proportion as they may from time to time determine."

18. The aggregate remuneration paid by the Company to the directors, as such, during its last financial year ended December 31, 1966, was \$10,310 and to the officers, as such, who individually received or were entitled to receive remuneration in excess of \$10,000 per annum was \$378,231. It is estimated that the aggregate remuneration to be paid or which will be payable during the current financial year to directors, as such, will be \$12,000 and to officers, as such, who individually may be entitled to receive remuneration in excess of \$10,000 per annum will be \$300,000.

19. No amount has been paid during the two years preceding the date hereof or is now payable as commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company but reference is made to sub-paragraph (c) of paragraph 27 of this Statutory Information.

20. The Company has been carrying on business for more than one year.

21 & 22. Except for transactions entered into or to be entered into in the ordinary course of operations or on the general credit of the Company no property has been purchased or acquired by the Company, or is proposed to be purchased or acquired, the purchase price of which is to be defrayed in whole or in part out of the proceeds of the issue of the Shares or Debentures referred to in paragraph 16 of this Statutory Information or which has been paid within the two years preceding the date hereof or is to be paid in whole or in part in securities of the Company, or the purchase or acquisition of which has not been completed at the date hereof.

23. Within the two years preceding the date of this prospectus, the Company has not issued or agreed to issue any securities otherwise than in cash except the issue to The English Electric Company, Limited of the 848,220 fully paid shares of the capital stock of the Company on conversion of 5½% Debentures of the Company into said shares as referred to in paragraph 12 of this Statutory Information.

24. As referred to in paragraph 9 of this Statutory Information, the Debentures Series B are to be unsecured.

25. No services rendered or to be rendered to the Company are to be paid for by the Company in whole or in part out of the proceeds of the issues of the shares or debentures referred to in paragraph 16 of this Statutory Information except incidentally to the extent that the general funds of the Company will be applied to payment thereof from time to time. As the proceeds of the issues will be added to the general funds of the Company, all manner of services rendered or to be rendered to the Company in the ordinary



course of business, as well as services or to be rendered in connection with the issue of the said Shares and the said Debentures, may sooner or later be paid for wholly or partly out of such proceeds. No services have been rendered or are proposed to be rendered to the Company which have been within two years preceding the date of this prospectus or are to be paid for by securities of the Company.

26. Nothing has been paid within the two years preceding the date hereof or is intended to be paid to any promoter.

27. Within the two years preceding the date of this prospectus, the Company has not entered into any material contracts other than in the ordinary course of business except as follows:

(a) The agreements referred to in paragraph 16 of this Statutory Information.

(b) Deed dated March 10, 1965, under which the Company purchased from British Columbia Hydro and Power Authority, 970 Burrard Street, Vancouver 1, B.C., a tract of land in Vancouver at a price of \$44,700.

(c) An agreement dated March 31, 1965, under which the Company agreed to sell to Royal Securities Corporation Limited, 170 Hollis Street, Halifax, Nova Scotia, the \$6,000,000 principal amount of the Debentures Series A hereinbefore referred to at a price of \$5,850,000 and accrued interest from May 1, 1965, to date of delivery payable in cash at the time of delivery.

(d) The Trust Agreement dated as of May 1, 1965, executed by the Company in favour of The Royal Trust Company, as Trustee, with respect to the issue of Debentures of the Company, including the Debentures Series A, and referred to in paragraph 9 of this Statutory Information.

(e) Agreement dated July 15, 1965, entered into with L. Gordon Tarlton Limited, 912 McEachran Avenue, Montreal 8, Quebec, for the construction of an extension to the Company's head office and factory at 2442 Trenton Avenue, Montreal, for the sum of \$354,812.03.

(f) Agreement dated August 12, 1965, entered into with said L. Gordon Tarlton Limited for the construction of an extension to the Company's head office and factory at 2442 Trenton Avenue, Montreal, for the sum of \$733,415.39.

(g) Agreement dated as of January 26th, 1966, made between the Company and other companies holding shares of CTV Television Network Ltd., 42 Charles St. East, Toronto, Ont. (hereinafter referred to as "CTV") and being operators of television broadcasting stations, and Canet Holdings Ltd. (a company owned by the said operators) whereby the parties agreed, *inter alia*, to increase, modify and finally determine, on a proportionate basis, their respective holdings in CTV, to establish the terms and conditions for the issue of additional common shares of CTV, to provide for additional capital when required for CTV, and generally to establish their respective rights, voting or others, as shareholders among themselves and to provide for the sale by any said operator, other than Canet, to the others of its shares of CTV in the event of such shareholder disposing of its broadcasting station. At the time of the making of the agreement another agreement was made dated as of January 26th, 1966, between CTV and said operators, other than Canet Holdings Ltd., with respect to the operations of the television network operated by CTV.

(h) Agreement dated May 31, 1966, entered into with Beaurivage & Méthot Inc., 1583 Père Druillettes, Ste-Foy, Quebec 10, for the construction of a building on the property owned by the Company in the City of Ste-Foy for the sum of \$82,407.24.

(i) Deed dated June 13, 1966, under which the Company purchased from the City of Ste-Foy, 1000 Route de l'Eglise Ste-Foy, Quebec 10, land for the sum of \$6,900.

(j) Agreement dated September 6, 1966, entered into with McLelland Bros. Construction Ltd., 1616 West 2nd Avenue, Vancouver 9, B.C., for the construction of a building on property owned by the Company in the City of Vancouver for the sum of \$152,267.

(k) Agreement dated September 13, 1966, entered into between the Company and M.E.P.C. Canadian Properties Limited, 365 Bay Street, Toronto 1, Ontario, whereby said M.E.P.C. Canadian Properties Limited, agreed to purchase land and erect a building in the City of Toronto and enter into a lease to the Company of the land and said building at an annual rental of ten per cent (10%) of the cost of the land and the cost of erecting the building.

(l) Agreement between the Company and said M.E.P.C. Canadian Properties Limited dated September 13, 1966, whereby the Company agreed to proceed with the erection of an office and warehouse building on land owned by the Company in the City of Vancouver and sell to said M.E.P.C. Canadian Properties Limited the land and building for a purchase price equal to the aggregate cost of the said land and building. Under date of April 1, 1967 IMPCO Properties Limited, a subsidiary of M.E.P.C., 365 Bay Street, Toronto 1, Ontario leased the same to the Company for a term of ten (10) years at an annual rental equal to ten per cent (10%) of the said purchase price.

(m) Lease dated September 29, 1966, under which the Company leased from Impco Properties Limited, 365 Bay Street, Toronto 1, Ontario, land and a building in the said City of Ste-Foy for a term of ten (10) years for an annual rental of \$10,000.

(n) Deed dated September 30, 1966, under which the Company sold to the said Impco Properties Limited land and a building in the City of Ste-Foy for the sum of \$100,000.

(o) Agreement dated December 31, 1966, entered into with Challenger Electronics Ltd., 14 Powell Street, Vancouver, B.C. and Donald M. Challenger and Robert A. Challenger for the purchase by the Company of certain assets owned by them for the sum of \$29,798.

Copies of the said agreements and of a draft of the supplemental trust agreement to be dated as of June 1, 1967, referred to in paragraph 9 of this Statutory Information may be inspected, during ordinary business hours during the period of primary distribution of the securities to which this prospectus relates and for a period of thirty days thereafter at the head office of the Company, 2442 Trenton Avenue, Montreal.



28. No director of the Company or any firm of which a director is a partner has any interest in any property acquired by the Company within the preceding two years or proposed to be acquired by the Company.
29. The Company has carried on business for more than three years.
30. Canmar Investment Company Limited, a Canadian company with head office at 2442 Trenton Avenue, Montreal, is in a position to, or is entitled to, elect or cause to be elected a majority of the directors of the Company. The English Electric Company, Limited, of London, England, a public company incorporated in England, is the beneficial owner of all the issued shares of Canmar Investment Company Limited.
31. No securities of the Company are held in escrow to the knowledge of the signatories to this prospectus.
32. Dividends paid during the five years preceding the date of this prospectus are as follows:

<u>Year</u>	<u>Amount per share</u>	<u>Total</u>
1962.....	nil.....	nil
1963.....	nil.....	nil
1964.....	11¢.....	\$ 501,015
1965.....	22½¢.....	\$1,152,036
1966.....	10¢.....	\$ 540,290

33. There are no other material facts not disclosed by this prospectus including the information provided by the Chairman and Chief Executive Officer of the Company.

DATED April 25, 1967.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of securities referred to above as required by Part VII of the Securities Act, 1962 (British Columbia), by Part IX of The Securities Act, 1955 (Alberta), by Section 43 of the Securities Act (Saskatchewan), by Section 39 of The Securities Act (Ontario) under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick), and there is no further material information applicable other than in the financial statement or reports where required or exigible.

DIRECTORS

(Signed) C. É. BÉLANGER

(Signed) J. A. BOYD

(Signed) STUART FINLAYSON

(Signed) W. V. GEORGE

(Signed) HAZEN HANSARD

(Signed) HOWARD J. LANG

(Signed) J. G. NOTMAN

(Signed) IAN D. SINCLAIR

SENATOR THE HONOURABLE ADRIAN  
KNATCHBULL-HUGESSEN

THE RIGHT HONOURABLE  
LORD NELSON OF STAFFORD

SIR GORDON RADLEY

by their agent,  
(Signed) STUART FINLAYSON

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Part VII of the Securities Act, 1962 (British Columbia), by Part IX of The Securities Act, 1955 (Alberta), by Section 43 of The Securities Act (Saskatchewan), by Section 39 of The Securities Act (Ontario), under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick), and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

UNDERWRITERS

ROYAL SECURITIES CORPORATION LIMITED

by (Signed) F. L. GLASGOW

The following are the names of every person having an interest either directly or indirectly to the extent of not less than five per centum in the capital stock of Royal Securities Corporation Limited: Alan Gordon, F. L. Glasgow, Ivan A. Martin, G. C. Stewart, J. R. Hughes, The Estate of G. W. W. Ross\* and Harold Braff.

\*Deceased March 26, 1967



